

COAL BED NATURAL GAS DEVELOPMENT

PURPOSE OF THE BRIEFING DOCUMENT:

Coal bed natural gas (CBNG) is in the early stages of development in the Powder River Basin of southeastern Montana. Production of CBNG began in 1999 from private and state wells and in 2003 from federal wells. Approximately 850 wells are producing CBNG from federal, state and private leases. At this time, Montana's approved/producing CBNG wells are operated by Fidelity Exploration & Production Company and Pinnacle Gas Resources, Inc. These wells are located either in the CX Field, operated by Fidelity, adjacent to the CX Field, or near the Hanging Woman drainage, operated by Pinnacle. The BLM's Miles City Field Office continues to work with cooperators, the public and industry on CBNG proposals.

ISSUES:

In order to analyze conventional oil and gas development as well as full field CBNG development, the BLM, Montana Board of Oil & Gas Conservation, and Montana Department of Environmental Quality prepared a joint environmental impact statement (EIS, 2003) and resource management plan (RMP) amendment. The BLM issued its record of decision (ROD) in April 2003. The ROD and supporting EIS were subsequently litigated.

As a result of litigation, the U.S. District Court issued an order dated April 5, 2005, directing the BLM to prepare a supplemental environmental impact statement (SEIS) to the 2003 EIS that analyzes the phased development of CBNG. In accordance with the U.S. District Court order, the National Environmental Policy Act of 1969, as amended (NEPA), and the Federal Land Policy and Management Act of 1976 (FLPMA), the BLM approved the *Record of Decision* (ROD) for the *Final Supplement to the Montana Statewide Oil and Gas Environmental Impact Statement and Proposed Amendment of the Powder River and Billings Resource Management Plans* (FSEIS), on December 30, 2008. The ROD approves BLM's proposed decisions in the final SEIS.

Several local, state and federal agencies and tribes cooperated in the preparation of the SEIS: Rosebud, Carbon, Golden Valley, Powder River, Yellowstone, Musselshell, Big Horn and Treasure counties; Lower Brule Sioux and Crow tribes; Montana Department of Environmental Quality, and the Board of Oil and Gas Conservation; Bureau of Indian Affairs; Department of Energy; U.S. Army Corps of Engineers; and the Environmental Protection Agency.

Currently, the BLM's Miles City Field Office is revising and combining the Big Dry and Powder River resource management plans (RMPs) into one: the Miles City Field Office RMP. The changes that have taken place in the past 10 to 20 years have resulted in different users and uses of public lands. Issues have emerged that relate to potential threatened and endangered species; increased demand for oil and gas; and changes in intensity of use of other resources. The public lands and resources need to be managed consistently throughout the Miles City Field Office area. The RMP will allow BLM to guide management actions based on current information (changes in policy and guidance), sound criteria and public input, and provide a comprehensive framework for managing and allocating use of the public lands and resources in the Miles City Field Office. For additional information please see the Miles City Field Office Resource Management Plan briefing document.

MAIN DECISION OR MESSAGE:

The BLM's Miles City Field Office is processing plans of development (PODs) for CBNG as they are received and preparing additional, site-specific environmental documentation as needed. The Miles City Field Office will approve permits for federal CBNG wells in accordance with the guidance found in the ROD for the final SEIS, which includes intense monitoring and mitigation.

Monitoring and mitigation are vital for ensuring that the decisions made in the EIS/RMP amendment adequately protect the affected environment. Interagency working groups established for water, air, aquatics and wildlife have been in place since 2003 to monitor effects from CBNG development. Working group participants include both Montana and Wyoming BLM and Departments of Environmental Quality; the U.S. Geological Survey; Forest Service; National Park Service; the Natural Resources and Conservation Services in Montana, Wyoming and South Dakota; and Native American tribes. Protection measures and best management practices are in place for several resources including air, water and wildlife. Mitigation measures can be modified based upon the results of monitoring and technology.

Recently the Miles City Field Office approved two Fidelity PODs: the Deer Creek North POD, 34 federal wells and associated infrastructure; and Decker Mine East POD, 14 federal wells and associated infrastructure. The field office is in the initial stages of two CBNG projects. The first is the Fidelity Corral Creek POD, six federal wells and associated infrastructure, located adjacent to the eastside of the Tongue River Reservoir. The second is the Pinnacle Forks Ranch POD, 32 federal wells and associated infrastructure, located adjacent to the Wyoming state line in the Hanging Woman drainage. Both projects are in the early stages of processing and will be out soon for public scoping comments.

BUREAU PERSPECTIVE:

There is a high level of regional interest in CBNG production with most concerns focused on water and wildlife-related impacts, potential impacts to tribal resources, and the specific requirements of the final SEIS approved by the ROD.

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